COMMERCIAL CARRIER JOURNAL

CCJ

FOR PROFESSIONAL FLEET MANAGERS

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Also:

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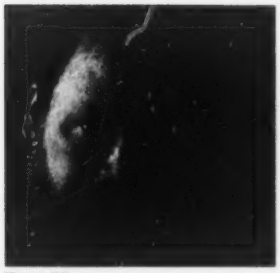

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IN THE NEXT ISSUE

"Money is life to us wretched mortals," wrote Hesiod, an early Greek poet. If that claim be true, then the July issue should to appeal to many readers.

The 22nd annual listing of 1989 financial data for the nation's largest for-hire carriers' is the core of our *Top 100* issue.

The issue also will include *Industry Trends and Statistics*—an analysis of common and private carriers' sizes, vocations and cost data, plus a breakdown of equipment sales.

And to pursue the money game at a personal level, CCJ will offer detailed results of an exclusive salary survey conducted by an independent research firm. The compensation and benefits information gleaned from 570 motor carriers will be broken down by job title, fleet size and region. □

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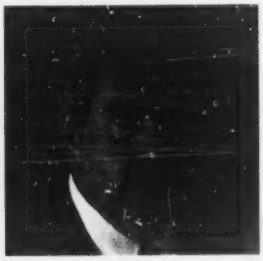


Analyst offers TL carriers keys to success

By PARRY DESMOND Executive Editor 215-964-4529

Since "there's going to be a lot less focus on 30%, 40% and 50% annual growth rates," Bill Legg believes the 1990s will be a decade of "pricing based on cost analysis; developing relationships with your bankers; doing quality economic analysis; and hiring good people and training them to be the managers of the future."

Legg, analyst for Alex. Brown & Sons, the Baltimore-based brokerage, reached those conclusions in a presentation to members of the American Trucking Association's Interstate Truckload Carriers Conference who met in Las Vegas in March.

To support those conclusions, Legg made the following observations:

• Four factors drove the trucking industry's high rate of growth in the 1980s:

1. Deregulation allowed market share to be captured from inefficient carriers, particularly less-than-truckload and private fleets.
2. Diesel fuel was cheap.
3. Capital also was comparatively cheap, allowing carriers to buy equipment and thus bring down freight rates.
4. Seven years of sustained economic growth.

• In the 1980s, winners like J.B. Hunt, Werner, M.S. Carriers and Schneider "were able to manage the pressures of growth in terms of balancing equipment, drivers, capital and information systems." As the pace of growth intensified, companies lacking management talent "were caught with too little freight, too few drivers, too many trucks, too few controls, etc."

To show how critical asset utilization will be in the 1990s, as well as they were in the last decade, Legg noted that every 10% improvement in equipment utilization drops the operating ratio by about three points.

• Winners in the 1990s, will persuade shippers that it's in their best, long-term interest to ensure that carriers are relatively profitable.

Winners also will know their costs precisely so they "can just say no" to unprofitable business.

• Pricing discipline is important because a 90 OR will be the break-even level for truckload carriers' return on capital.

• But pricing discipline is tough to accomplish because carriers "have to rely on published tariffs," which is "like relying on the *National Enquirer* for you news... Guessing is probably the most precise thing you have."

Pricing will have to be cost-based because "guessing won't do it in the 1990s."

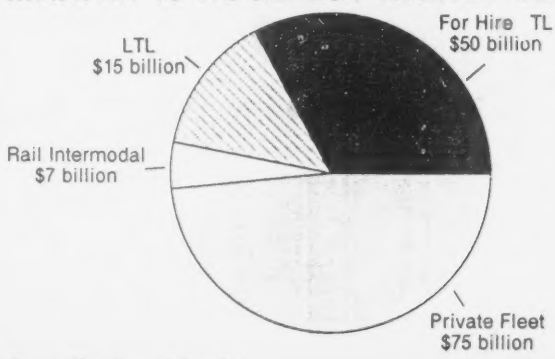
• Value-added services are important because "the $5 billion to $10 billion of so-called easy freight is gone."

• To survive in the $50 billion TL marketplace, carriers must serve niche markets by shortening their length of haul, keeping away from double-stack train lanes, increasing service levels, providing electronic data interchange and satellite tracking. But niche markets require pickups and deliveries in tighter windows, creating greater opportunity for service failures.

• The 1990s will be the decade of the chief financial officer because many lending sources have dried up. "A lot of commercial banks have been burned and the equity window has been closed for the last two or three years."

Legg closed with the following summary: "The '90s will belong to the carrier that has all the chips. Look at the LTL carriers as a role model. Roadway, Yellow, Consolidated and Carolina control about 45% to 50% of the total market, and even more in terms of profits. They are the ones who went into deregulation with all the chips. They...will eventually emerge with even greater profits." □

MARKET IS HUGE BUT HIGHLY SEGMENTED



Source: Alex. Brown & Sons Inc.